

Sustainability Report 2015

Communication on Progress Report to the UN Global Compact

Georg Jensen A/S

**Georg Jensen A/S
CVR No. 26 57 36 45
Sdr. Fasanvej 7
2000 Frederiksberg
Denmark**

Table of content

1. About the Report	3
2. CEO Foreword	4
3. Our sustainability focus – a holistic approach to quality	6
3.1 Our CSR governance	7
3.2 Our performance in 2015	9
4. Sustainability in our value chain	10
4.1 Durable design	10
4.2 Responsible sourcing	10
<i>Dilemma: How do we ensure conflict-free minerals?</i>	12
4.3 Own production	13
4.4 Our health and safety efforts	13
4.5 Manufacturing partners	17
<i>Dilemma: Doing business in China at times means facing cultural differences</i>	20
4.6 Distribution and Packaging	21
4.7 Stores and e-commerce	21
4.8 Customers	22
<i>Case: Giving back to society through donations to charity</i>	23
5. Our environmental impact	24
5.1 Energy efficiency	24
5.2 Waste and wastewater management	25
6. Anti-corruption	28
6.1 Monitoring compliance	29
7. Our people	30
<i>Case study: How do we build a sustainable work environment?</i>	31
7.1 Handling our employee data in a responsible manner	32
7.2 Diversity	32
8. UN Global Compact compliance overview	34

1. About the Report

This report represents Georg Jensen A/S' seventh annual Communication on Progress aligned with the UN Global Compact framework. The report is also our statutory report on corporate social responsibility (CSR) according to the Danish Financial Statements Act § 99a and § 99b. The report covers sustainability activities during financial year 2015 and is published together with Georg Jensen's Annual Report.

With this report we want to communicate to our stakeholders Georg Jensen's sustainability activities as well as our management of significant CSR and sustainability risks. The report covers the material sustainability issues in our value chain – from design through production to our customers – and addresses our key focus areas: responsible supply chain management, environment, anti-corruption and diversity in management. All of these focus areas are integrated into Georg Jensen's business procedures and strategy.

The health, safety and environmental data cover our corporate headquarters in Copenhagen, our Hjørring production facility in Denmark and our Chiang Mai production facility in Thailand. Our sales facilities are not included in the reported data. The environmental data cover company-owned manufacturing facilities in Hjørring and Chiang Mai. The energy data converted to tons CO₂ is based on our company-owned facilities in Denmark and is calculated based on the methodology provided by the Danish Department of Energy - Energistyrelsen, EnergiNord and the Greenhouse Gas Protocol. Other environmental data are based on local authorities' assessments and inventory respectively in Denmark and Thailand. The report content is also partly based on data provided in our mandatory annual report to our investor IFU¹. The report has been developed without direct engagement of external stakeholders.

While we are proud of our results, we recognize that there is much more to be done, and we look forward to communicating our ongoing progress to ensure sustainable value creation in our business.

We always welcome comments and feedback on the report:
csr@georgjensen.com

¹ Read more about the Investment Fund for Developing Countries (IFU) here: <http://www.ifu.dk/dk/service/english>

2. CEO Foreword

Taking up the position as new CEO of Georg Jensen gives me the opportunity to become part of the century-long legacy of high quality products and effortless, timeless designs, which is the essence in the Georg Jensen brand. Our mission is to ensure that our strong and durable designs go hand-in-hand with our consideration for the environment and local communities in which we operate – a heritage and mission I am proud to actively continue in the coming years.

As we expand our business globally, we increasingly need to become adept at navigating a complex, ever-changing market context. Ensuring responsible and sustainable business practices, both economically, socially and environmentally, has never been a more prominent task for us than now. The compass that constantly steers our business approach towards greater sustainability is the UN Global Compact, a commitment which we signed in 2009 and which we remain committed to today.

As our business evolves, understanding our corporate responsibility and how we can balance growth with sustainability throughout our value chain has become an ever more central activity. We therefore continue our efforts to ensure responsible management of our supply chain, the environment, anti-corruption risks and diversity.

We are particularly dependent on the environment and its scarce natural resources to source and process most of the raw materials that go into our products. Therefore, we do not question the need for precautionary measures when it comes to our value chain, particularly in relation to our sourcing and manufacturing operations. Caring for the fragile global eco-system, on which we depend, is undoubtedly one of our greatest business challenges today.

We are proud of our achievements so far, but we also know there is still more work to be done. We are therefore committed to upholding our more than 110-year long history of providing our customers with high quality products, designed to last a lifetime, while ensuring that we do our utmost to maintain our integrity and advance responsible social and environmental practices throughout our value chain.

In this Sustainability Report, we invite you to read about our efforts towards sustainable value creation in 2015 as well as our commitment and goals for ensuring responsible business practices across our value chain going forward.



A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Eva-Lotta Sjösted
Chief Executive Officer
Georg Jensen

3. Our sustainability focus – a holistic approach to quality

Our business is rooted in more than 110 years’ devotion to designing high quality and functional products through solid craftsmanship and an eye for timeless and refined details. Georg Jensen himself, in 1904, aspired to create democratic designs possessing both functionality and beauty. Today, we still focus on providing the market with the same consistent quality, while also ensuring responsible and sustainable business practices, based on the motto that our products do not have a “back-side” – and neither should our company.



While we remain committed to Georg Jensen’s philosophy of high quality and functional design, a lot has happened to our business since 1904. We have grown into new markets and expanded our product range. Thus, Georg Jensen today is a global manufacturer and retail business with five product lines: Fine jewelry, Watches, Silver Hollowware, Men’s Accessories and Luxury Living.

With this varied product range, we operate across the globe with our own production facilities in Copenhagen and Hjørring in Denmark and in Chiang Mai in Thailand. Furthermore, we also work with 32 external suppliers mainly located in China, Japan, Turkey, Portugal, Poland, the Czech Republic, Croatia and Denmark.

Where we manufacture our products



Having a complex, global value chain makes our legacy as a responsible and high quality brand essential to uphold. As such, our legacy guides our long-standing commitment to strive for a product assortment that meets the needs, demands and expectations of the modern consumer. Therefore, we never compromise when it comes to upholding the highest standards for our products and we will continuously work to improve our business practices. As a result, we aim to always source materials and manufacture our products in a responsible manner, while developing our employees and investing in the local communities, where we operate.



Our value chain

Our commitment to sustainable and responsible business practices across our value chain is supported by a set of policies, guidelines and procedures. These documents substantiate the framework we have developed for our corporate social responsibility (CSR) efforts. We review the documents annually in order to ensure that our CSR efforts stay up-to-date and relevant, while also ensuring that we have the right measures in place to monitor our performance and progress.

Our CSR activities are implemented through our value chain, and therefore we have structured this report with a section on each of the links in the value chain. We also have an explicit focus on specific supply chain risks, our environmental impact, anti-corruption risks, and diversity in management.

3.1 Our CSR governance

Since 2010, we have organized the governance of our CSR strategy and activities under a CSR Steering Committee. For the CSR Steering Committee, we have chosen representatives with the appropriate decision-making mandate from across the Georg Jensen organization in order to root our commitment to CSR in all our daily operations and activities. The committee meets four times a year to monitor and discuss the progress of our CSR efforts, focusing on how we can succeed in creating even better products, always aspiring to meet our high quality standards, while ensuring that we meet our set requirements for responsible business practice. The committee reports directly to our CEO and the Board of Directors, which ensures an open dialogue on CSR and the ongoing attention and commitment from top management.

On a daily basis, CSR-related issues are managed by the Vice President of Quality and CSR, who holds on-site responsibility for the production facilities in Hjørring and Chiang Mai as well as the responsibility for external partners' facilities.

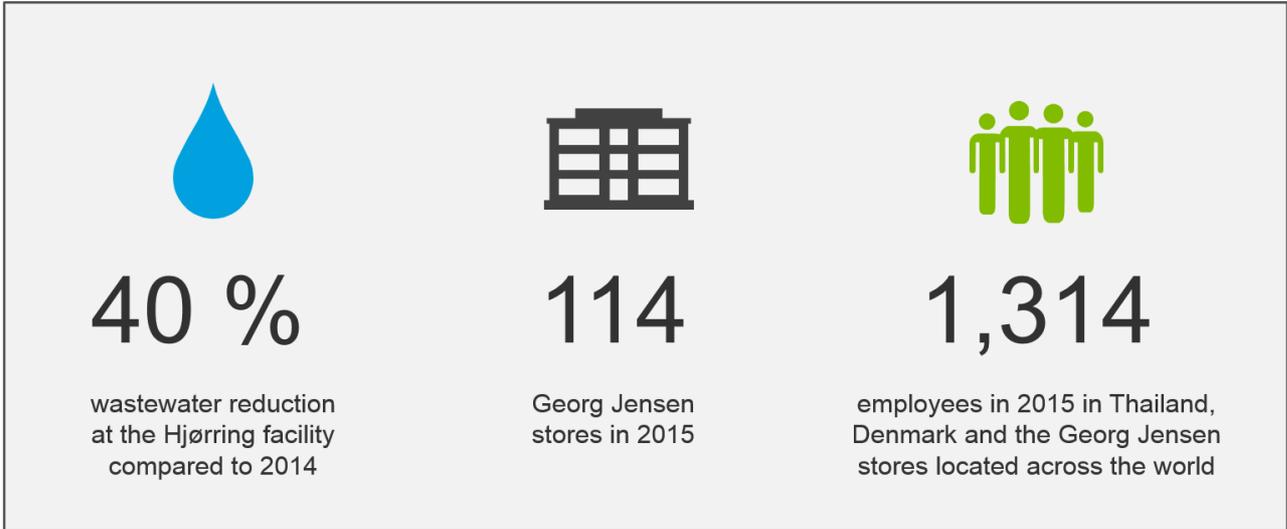
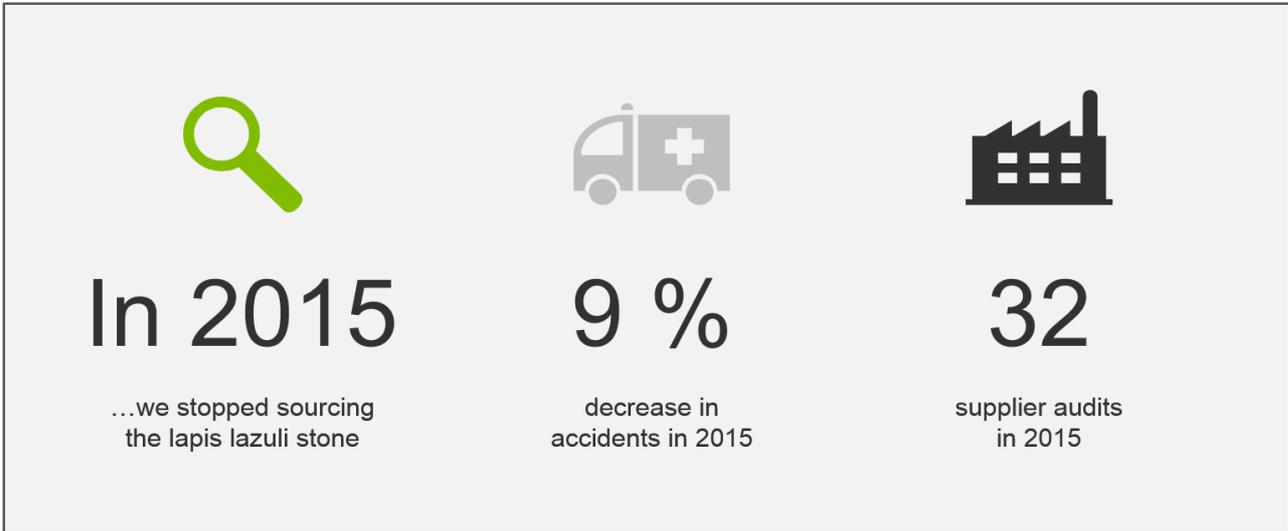
Georg Jensen's CSR Governance



We aim to become a member of the Responsible Jewellery Council² (RJC) in 2020. Being a member of the RJC entails that we must comply with a set of requirements related to governance, supply chain management and third party auditing. We have therefore already now implemented many of these requirements in our CSR governance structure along with a focus on responsible sourcing, manufacturing and employment, which we consider to be core risk areas within our business operations.

² **Did you know...?** The Responsible Jewellery Council (RJC) was established in 2005 as a collaboration between 14 organizations in the jewelry industry. RJC is a well-known standard and certification organization for the jewelry supply chain, focusing on every link from mine to retail. RJC has developed key standards for the jewelry industry, such as RJC Code of Practices and the Chain-of-Custody Standard for precious metals. Read more about the Responsible Jewellery Council here: <http://www.responsiblejewellery.com/>

3.2 Our performance in 2015



Highlights from our performance in 2015

4. Sustainability in our value chain

We recognize that we, through our value chain, have an impact on the environment and the people we work with. Therefore, it is essential to us that we can vouch for our products. With this, we seek to fulfill our mission to ensure that Georg Jensen products are made with great care to last a lifetime – both in terms of our choice of high quality materials and durable design as well as in terms of our commitment to ensure that we act responsibly across our business operations.

4.1 Durable design

Providing our customers with high quality, timeless and well-designed products is a fundamental part of the Georg Jensen mission. Since 1904, we have strived to create products that support our vision of durable design and solid craftsmanship. We are conscious of the materials we use, and how they contribute to our impact as a company on both the environment and the local communities where we operate. We therefore consider a range of factors in the design phase of our product development in order to meet our objective of ensuring responsible and sustainable business practices. A key factor to consider is the raw material we use and how we can design more sustainable and durable products. Durability is critical to the Georg Jensen brand, as our products have a long lifespan, often passed on from generation to generation.

4.2 Responsible sourcing

Using high quality raw materials are key for our timeless and well-designed products. We focus our efforts on the responsible sourcing of precious metals, gems and diamonds, as well as skins and leather.

In our sourcing process, we face a very complex and from-time-to-time covert supply chain, especially when sourcing precious metals, gems and diamonds. Conflict minerals and diamonds are significant risks facing companies in the fine jewelry industry. Georg Jensen takes a firm stance on this and demands that all our suppliers conduct conflict-free sourcing. This is ensured by requiring all suppliers to sign our Code of Conduct and our zero tolerance standard. We have therefore implemented a conflict-free sourcing policy, stating that Georg Jensen will not through its sourcing of precious stones and materials contribute to funding armed conflicts.

As a result, we have for many years only sourced gold, silver, diamonds and other precious stones through suppliers, who are either certified by the Responsible Jewellery Council, or who provide a guarantee that the raw materials are conflict-free. Starting in 2013, we have worked to comply with the Dodd-Frank Act³ and The Kimberley Process⁴ on conflict-free precious metals, minerals and diamonds. This entails that our seven suppliers of gold and silver as well as our two suppliers of diamonds all have been certified according to the Responsible Jewellery Council, the Jewelers Vigilance Committee⁵ or registered by the London Bullion Market Association⁶. Thus, the gold, silver and diamonds we use are either certified or registered, helping us on the way to ensure conflict-free products. However, it is our belief that the effort to ensure 100 percent conflict-free sourcing of diamonds, precious gems and metals should be pulled together in a collective push on an industry level – only in this way can we create a noticeable impact on the sourcing industry as a whole.

Related to our sourcing of skin and leather, Georg Jensen has a process for screening and restricting the use of skins from endangered species according to our license from CITES⁷, which focuses on mitigating extinction of endangered animals as a result of over-use of its skin or leather. Furthermore, the leather we use for our products must comply with the REACH requirements⁸, in terms of ensuring that our customers are not exposed to hazardous substances through our products. Based on REACH, we require that all our different suppliers and external partners in our supply chain have extensive information on the identity of the materials' substance, in order to ensure clear-cut substance identification.

³ Read more about the Dodd-Frank Act on conflict minerals and diamonds here: <https://www.sec.gov/spotlight/dodd-frank/spec-corpdisclosure.shtml>

⁴ Read more about The Kimberley Process on diamonds here: <http://www.kimberleyprocess.com/>

⁵ Read more about the Jewelers Vigilance Committee here: <http://www.jvclegal.org/>

⁶ Read more about the London Bullion Market Association here: <http://www.lbma.org.uk/>

⁷ **Did you know...** ? CITES is the Convention on International Trade in Endangered Species of Wild Fauna and Flora. Imports, exports and commercial use of certain species require a CITES license.

⁸ **Did you know...** ? REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals. REACH also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.

Dilemma: How do we ensure conflict-free minerals?

Besides diamonds, which are regulated through for example The Kimberley Process, the market for sourcing precious stones is rather opaque. For the remaining precious raw materials, there is no legislation prohibiting a company such as Georg Jensen from purchasing and selling precious stones from potential conflict areas. As we have taken a clear position that we will not participate in funding any sort of armed conflict through our sourcing, we constantly monitor the news, bulletins and reports that published by a range of relevant organization and especially from the UN Security Council.

Currently, we have the following precious stones on our 'concern list':

- Burmese (Myanmar) Jadeite and Rubies
- Lapis Lazuli from Afghanistan

In 2015, the UN Security Council twice reported high concerns regarding the rare precious stone Lapis Lazuli, which mainly originates from a small region in war-torn Afghanistan. According to the UN Security Council's reports, it was very likely that the Taliban controlled the Lapis Lazuli mines, and that the group was in a position to extort payments from the transport of mined Lapis Lazuli stones. The Lapis Lazuli stones was at that time used in some of Georg Jensen's jewelry products. As a result, Georg Jensen decided to stop the production of all designs, where the precious stone was incorporated.



4.3 Own production

Georg Jensen manufactures the majority of its products through its three own production facilities, located in Hjørring (DK), Copenhagen (DK) and Chiang Mai in Thailand, respectively.

OVERVIEW OF OUR OWN PRODUCTION	
Category	Amount of products manufactured at Georg Jensen's own facilities
Jewelry	100 %
Georg Jensen Living	10 %
Silver Hollowware	100 %
Watches	0 %
Men's Accessories	0 %

We focus our sustainability efforts on securing safe working conditions for all our employees across our facilities. We have a firm policy against child labor and forced labor. Across our value chain, we do not accept the employment of children and young people below the age of 18. In periods of peak production, we occasionally employ temporary workers to meet demand. The temporary workers are guaranteed paid overtime hours and minimum wages according to or exceeding the national legal requirements as well as access to the canteen, personal leave and vacation, sick leave amounting to 30 days with pay, and health checks.

4.4 Our health and safety efforts

We work to create a healthy and safe working environment based on the Georg Jensen Health, Safety and Environment policy. Our policy aims at encouraging a working culture, where all employees, by taking preventive measures and upholding a set of safety procedures, assume responsibility for maintaining a safe and healthy working environment. Our experience is that the majority of occupational accidents happen as a result of individuals disregarding the prescribed safety instructions.

Therefore, all managers and employees are regularly trained in health and safety procedures and where necessary new technology is implemented to reduce potential risks in the manufacturing phase. This also entails that we provide and require all employees in the relevant functions to use personal protection equipment, such as clothing, earplugs, gloves, masks and protection glasses. For employees who are occupied with managing machinery, heavy manual lifting and/or multiple repeatable movements, we require that they besides the above-mentioned safety equipment also use back support and safety shoes.

Our facility in Chiang Mai

Our Chiang Mai facility in Thailand is responsible for manufacturing our jewelry collection. In order to ensure that we uphold international standards as well as local regulations, the Chiang Mai facility has since 2010 been TLS 8001-certified⁹. With the TLS 8001-certification we work to implement initiatives within 12 categories, including remuneration, working hours, forced labor, child labor, discrimination, health and safety and workers' welfare. In 2015, the Chiang Mai facility furthermore became ISO 9001:2015-certified. This means that we focus on quality management system principles such as top management commitment, implementing processes and monitoring schemes, as well as continuous performance improvements.

In the Chiang Mai facility, we have in 2015 furthermore worked to reduce the employees' exposure to noise and dust in the production. As a result, the noise has been reduced through a series of improvements to our larger machinery and the dust has been minimized by improving the ventilation systems in production areas.

Before new employees start working at the Chiang Mai facility, they are provided with a brief health and safety training course as well as instructions on how to use the personal protection equipment. Our employees are on an ongoing basis provided with on the job training on safety precautions related to the handling of chemicals and hazardous substances. The latest edition of our employee training scheme is a session on electrical safety, a first aid training and a course on how to drive a forklift.



⁹ *Did you know...?* The Thailand Labour Standard 8001 (TLS 8001) was developed in 2006 by The Thai Ministry of Labour in collaboration with the private sector. The labor standard is similar to standards of the International Labour Organization and other labor standards for trading, especially Social Accountability 8000 (SA 8000). The TLS-8001 consist of 12 categories: 1) general rules, 2) management system, 3) forced labor, 4) remuneration, 5) working hours, 6) discrimination in the workplace, 7) discipline, 8) child labor, 9) female labor, 10) freedom of association and collective bargaining, 11) health and safety in the workplace, and 12) workers' welfare.

We provided a set of different training sessions at Chiang Mai in 2015



We believe that cooperation, motivation and well-informed decision-making is the foundation for our health and safety culture. The robust foundation is achieved through continuous training of our employees and the ongoing improvement of our facilities. Therefore, we apply a thorough due diligence process to identify and foresee potential risks as well as to define appropriate mitigating activities. Georg Jensen has at the Chiang Mai facility established a Health and Safety Committee, responsible for reviewing the health and safety statistics on a monthly basis as well as conducting health and safety surveys among the employees. The Health and Safety Committee consists of employees from across the Chiang Mai organization.

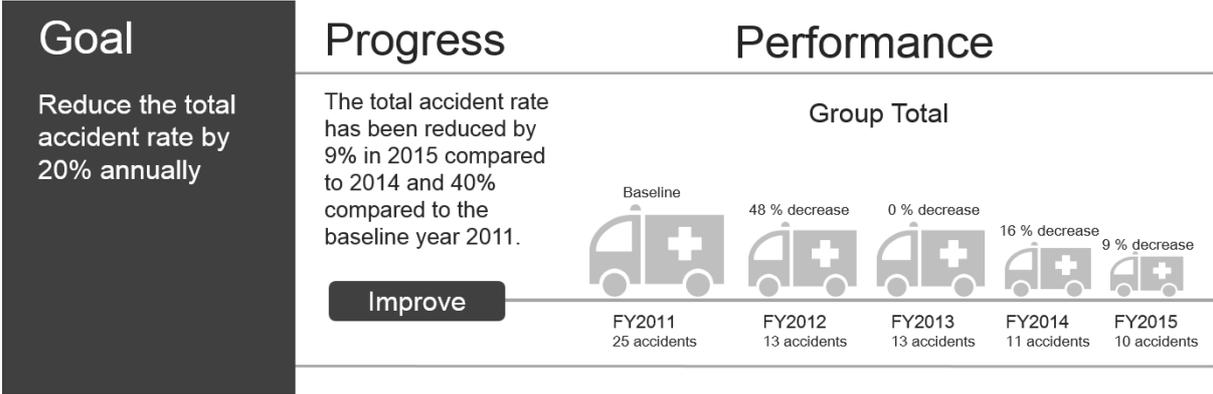
The Health and Safety Committee is responsible for:

- Annual health and safety analysis regarding working environment measurements, including light, noise, heat, chemical dust and stack
- Frequent fire emergency response training and controls
- Rigorous rules for having material safety data sheets for all materials in the workplace with a particular focus on harmful materials
- Any unintentional discharge into the environment of damaging substances or near misses in relation to one of our operations
- Any injury or near miss accident in relation to our activities. Performance statistics are kept and analyzed to ensure adoption of best practices protecting the health and safety of individuals.

In order to further heighten awareness of health and safety, we have also created a forum for knowledge-sharing between managers and employees across our organization.

Even though we have implemented a set of different initiatives to promote awareness and a strong culture with health and safety at the center, we still experienced 10 occupational accidents in 2015.

Accidents and Injury



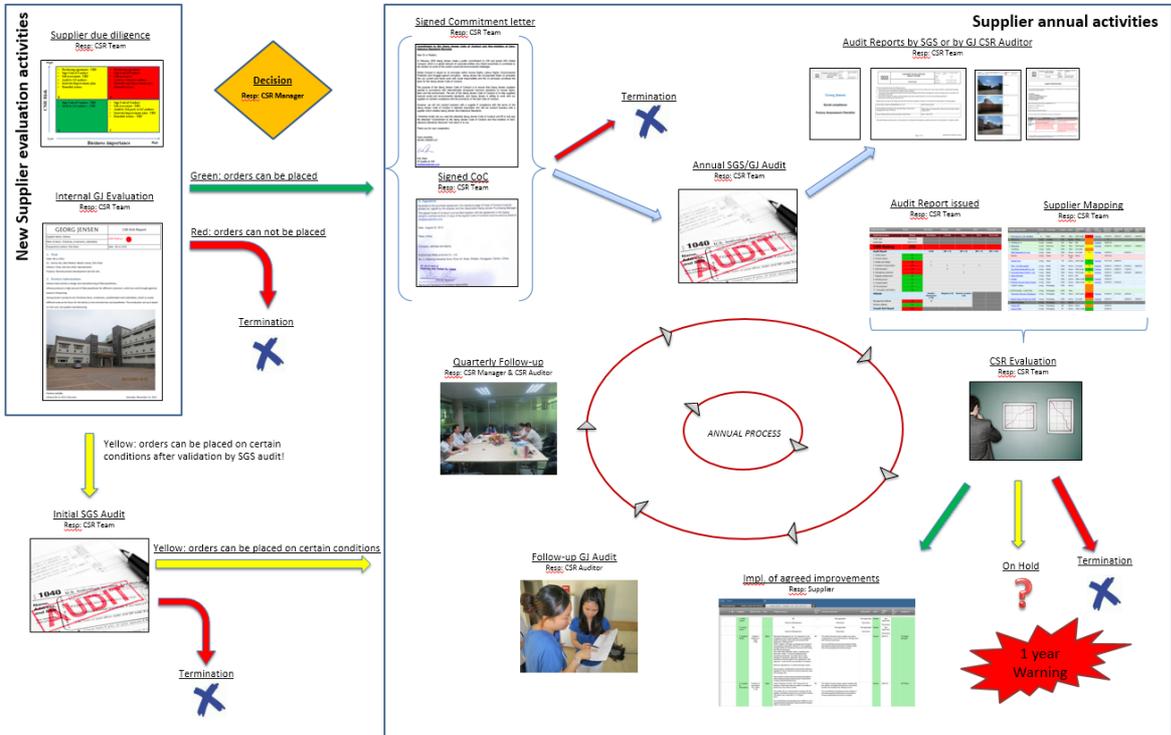
In our Chiang Mai facility we experienced seven accidents in 2015. Four of the accidents were of moderate character, implying that the employee could return to work within three days, and three were categorized as minor incidents, where the accident could be treated and the employee return to work immediately hereafter. Seven accidents is one less than in 2014 and two less than in 2013, but two more than in 2012. When considering our baseline for this issue, the volume of our production in Chiang Mai and number of employees, we are happy with the decrease, but the progress is still not sufficient in order for us to reach our objective of an annual decrease of 20 percent in work-related accidents. We will therefore continue our organizational focus on minimizing accidents through internal awareness campaigns and training sessions.

At our two production sites in Denmark, we employ 30 silversmiths and 35 employees in charge of manufacturing the Georg Jensen Silverware collection and our Living Christmas collectibles product range. In Denmark, three occupational accidents were registered in 2015, two of a moderate character and one major, where the employee fell and could not return to work within three days of the accident. None of the accidents relate to the safety of our machinery and other equipment, and none of our follow-up inquiries have warranted a change in equipment or procedures.

4.5 Manufacturing partners

Having a strong relationship with our suppliers and partners is a very important part of our business. Within recent years, we have focused on selecting and working with suppliers, whom we believe can live up to our requirements in terms of sustainable business practices and corporate social responsibility standards. In 2014, we chose to narrow down our supplier base to obtain closer partnerships with a smaller supplier group, now containing 32 primary suppliers. Out of the 32 suppliers, 80 percent of the suppliers are based in Asia (mainly in China), and the remaining 20 percent are located in Europe in Portugal, Poland, Turkey, the Czech Republic, Croatia and Denmark.

The 32 suppliers were selected based on their ability to either fully meet our high standards for product quality and responsible business conduct or their stated determination to become compliant with our requirements within an agreeable timeframe. In this way we seek to ensure that we focus our efforts towards a more manageable pool of suppliers, where we more easily can work towards sustainable business practices as well as monitor progress and mitigate risks. We have developed a comprehensive supplier audit program to help ensure sustainable business practices. All new potential suppliers are visited and undergo a CSR due diligence process where we obtain information and evaluate the supplier according to the Georg Jensen Code of Conduct.



The Georg Jensen supplier audit process

The result of the evaluation is a rating of the supplier in three categories: Red, Yellow or Green, according to their level of compliance with our Code of Conduct and requirements for CSR standards. The categorization determines the subsequent possibilities of establishing a business relationship between Georg Jensen and the supplier.

Once approved, the supplier becomes part of our program for supplier monitoring and evaluation, which entails that all of our suppliers as a minimum must continue to comply with the Georg Jensen Code of Conduct. The Code of Conduct includes our commitment to and focus on ensuring responsible business practices in terms of environmental considerations, human and labor rights and anti-corruption.

One of the key areas in the Code of Conduct is to enable suppliers to improve their standards and operations. We monitor the suppliers' performance through quarterly evaluation on-site visits by Georg Jensen's Quality and CSR team or, if necessary, through audits conducted by Georg Jensen or a third party auditor. The review of the suppliers' performance is conducted along a number of parameters, including human rights due diligence, health and safety measures, employment practices and working conditions, and environmental performance. In relation to our human rights due diligence, we seek to identify, account for and potentially mitigate risks related to how our suppliers address their human rights impact. If we find that a supplier has caused or contributed to negative human rights impacts, we demand that the supplier provides for – or cooperates in a legitimate process to enable the remediation of – those impacts.

The quarterly on-site visits are necessary in order to monitor and motivate the supplier to succeed in implementing the agreed improvements. We have experienced that when visits do not occur, the supplier fails to make the required improvements, as the incentive for implementing the changes is absent. If a small breach is discovered at a supplier, we require the supplier to remedy the shortcomings. In many cases, we work together with the supplier to close the gap and find a common solution. Through this approach, we believe that we obtain the best foundation for our business operations. Nevertheless, we do at times face situations where a material breach of our Code of Conduct has occurred at our suppliers. Such breaches may involve incidents such as the use of child labor, forced labor or bonded labor, non-payment of wages, abuse of human rights, willful or negligent acts or omissions resulting in serious injury or death, significant adverse effects to the environment, corruption and trade in conflict diamonds. We have in few cases, as a last resort, terminated business with suppliers, whom we do not believe can meet our requirements or are unwilling to ensure that we achieve our goals set for sustainability.

In 2015, we conducted 32 audit visits, of which nine were certified and audited according to the Business Social Compliance Initiative¹⁰ and Responsible Jewellery Council, 16 suppliers were audited by a third party auditor, and seven were audited by Georg Jensen's Quality and CSR team.



Overview of supplier audits in 2015

The overall result of the 16 third party audits has been that we see a significant reduction of non-compliance cases. This is particularly evident in terms of the reduced amount of critical issues occurring, when a supplier is audited multiple times. However, we also experience that even when we audit suppliers on an annual basis, the suppliers tend to stop improvements before they reach Georg Jensen's set targets. We believe the reason for this mainly stems from the need for investments and a lack of resources.

In 2015, we have at our Chiang Mai facility in Thailand monitored our 27 business partners, of which 24 were domestic suppliers and three were international. In 2016, we aim to conduct further analysis of these partners and enroll the strategically important partners in our audit process.

We are aware that the changes in our value chain do not come overnight and we believe that it will take some years to achieve a fully sustainable supply chain. Nonetheless, we do what

¹⁰ Read more about Business Social Compliance Initiative (BSCI) here: <http://www.bsci-intl.org/>

we can through ongoing dialogue and meeting face-to-face on a regular basis with our suppliers to ensure that they act according to our objectives and targets for running a sustainable and responsible business. We believe that we through ongoing dialogue with our suppliers can ensure that they uphold and operate in compliance with our Code of Conduct. As a result, the supplier visits are a vital part of Georg Jensen's effort to secure responsible business practices. During 2016, we will increase this program with further means to ensure that we meet our targets for sustainability across our value chain.

Dilemma: Doing business internationally means facing cultural differences

Georg Jensen has several suppliers around the world, and throughout recent years we have worked to develop the suppliers' corporate social responsibility (CSR), in order to reach a level on a par with international standards.

In our experience, some suppliers quickly understand and see the potential in working with sustainability and CSR as a lever to attract other international customers, retain employees and avoid potential conflicts between management and employees.

Unfortunately, this attitude does not apply to all. We experience that some suppliers are only willing to work with CSR if Georg Jensen supports them, invests in their production facilities and pays a higher cost price for the finished products. We acknowledge that CSR comes at a price, and we are willing to pay the necessary added cost for our products. However, we also require that our suppliers contribute to the investment in CSR.

During our audits and visits, we do from time to time experience that some suppliers do not implement our required improvements and statutory certifications. Some of the most problematic incidents that we have experienced relate to:

- Lack of fire and safety certifications
- Lack of certification for building safety
- Lack of compensation in relation to minimum wages and overtime payments
- Lack of mandatory social insurances for employees
- Lack of environmental approvals

These cases are all complex. If we uphold our requirements for CSR this may involve large costs for the suppliers. We are therefore sometimes met with reluctance to make the required improvements.

When suppliers lack certifications and approvals of building and fire safety, it may be a result of governmental bodies' unwillingness to issue the required documentation. At times, we get the impression that this problem stems from corrupt governmental officials, who require facilitation payments to issue the certification. The dilemma we face is that if we uphold our demands for the mandatory certification, we might involuntarily contribute to and encourage corrupt behavior.

Even though these incidents are very complex, we never permit corruption. Therefore, we handle the incidents on a case-by-case basis. If we have a trustful and open relationship with

the supplier, who overtly has disclosed to us how the facility has failed to acquire the required certifications, we will at all times work towards a common solution.

We will therefore single-handedly, through our own highly skilled Quality and CSR audit team, conduct a building inspection, a fire and safety inspection and ask the supplier to disclose documentation for its environmental impact for our evaluation. If we in this way are assured that conditions are compliant with our requirements and the local legislation, we accept the lack of certifications.

4.6 Distribution and Packaging

In the last two years, we have focused our efforts towards implementing a sustainable packaging program, where all paper and cardboard is sourced from responsibly managed forests. We have in this regard worked with our four main suppliers of gift boxes and paper as well as with our four wood suppliers, who we work with on the Georg Jensen Luxury Living product range. These initiatives stem from our desire to reduce our environmental impact across our value chain. In 2015, we managed to convert all our wooden materials for gift boxes and wrapping paper to materials from certified forests managed by the Forest Stewardship Council® (FSC®).

Going forward we will expand this focus, as we work to ensure that we reduce our packaging and shipping materials, in order to avoid excess waste. For 2016, it is our aim to incorporate our packaging suppliers in the FSC®-program. Furthermore, we aim at assuring that the shipping and handling services that we use are aligned and in compliance with our internal guidelines.

4.7 Stores and e-commerce

Our stores are an essential part of Georg Jensen's public image and the first interface experience most of our customers have with the Georg Jensen brand. Through our 114 stores across the world, we interact daily with our customers, always striving to provide excellent service and give the best purchase experience to our customers. We currently employ 413 full-time store employees and in the coming years we aim to widen our sustainability focus to also include our stores; this will enable us, for example, to train our staff in the stores on material sustainability issues such as environmental concerns, anti-corruption efforts and responsible business practices.

Currently, we have sales points in Australia, China, Denmark, Germany, Hong Kong SAR, Japan, Luxembourg, Macau SAR China, Norway, Singapore, Sweden, Taiwan, United Kingdom and in the United States.

Many of our customers find us online as well. Through our e-commerce channel, our customer loyalty program 'My Georg Jensen' and our confidential customer records, we at times obtain sensitive customer data. In order to ensure that our customers' privacy and data is protected and secured we have developed a policy for customer privacy and data security. Our policy states that it is only a limited number of our employees, who have access to customer data. To ensure that data security is a top priority internally, we have in all standard employment contracts for our employees in Denmark, stated our strict requirement that the individual employee must uphold confidentiality both in regards to product development and intellectual property as well as related to company and customer data. We have implemented procedures to enhance the overall awareness of the issue and ensure confidentiality at our Danish operations. In 2016, we will continue this focus on data security and privacy in order to ensure that our customers can rely on the Georg Jensen brand.

4.8 Customers

We always strive to meet our customers' expectations. In order to ensure that we have an open dialogue with our customers, we have implemented a complaint mechanism through our customer service. Complaints can be voiced either through our customer call center or by sending an email to our customer service team. In case of product complaints, we always strive to thoroughly examine the individual case, in order to ensure that we remedy the fault as well as to secure that we provide the best service and product quality going forward. In connection with this, we provide lifelong product reclamations, as we are unfaltering in our mission to provide products of excellent quality, functionality and durability.

In 2015, we received two customer inquiries related to our corporate social responsibility – one inquiry related to our position on conflict-free diamonds and another related to whether Georg Jensen would join the Danish Fashion Ethical Charter¹¹. In addition to this, we have had approximately 10 business customers demanding that we sign their Code of Conduct, before we sell our products through their sales channel.

Just as our employees' health and safety is serious to us, so we seek to protect our customers' health and safety and have procedures in place to ensure that our customers are not, through

¹¹ Read more about the Danish Fashion Ethical Charter here: <http://danishfashioninstitute.dk/en/node/753>

our products, exposed to hazardous substances. Therefore, we work with the REACH standard¹², which commits us to identify and manage the risks linked to potentially dangerous substances, when we manufacture and market our products within the European Union. This entails that we, at all times, must be able to demonstrate how we safely use these substances and that we work to find solutions, where we substitute the substances to less hazardous ones.

Involving our customers in our CSR efforts will, going forward, be a stepping stone for increasing sustainability across our value chain.

Case: Giving back to society through donations to charity

We also give back to society through our collaboration with different Danish charities. In 2015, we donated 200.000 DKK to Save the Children Denmark. The renowned designer Louise Campbell, who has created a series of cutlery to Georg Jensen, furthermore chose to donate to the Save the Children cause.



Louise Campbell

¹² **Did you know...?** REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.

5. Our environmental impact

At Georg Jensen, we are aware that the jewelry industry has a great impact on the environment, especially in relation to the mining, processing and manufacturing of jewelry. We take our environmental responsibility seriously in all our business activities, taking a particular focus on optimizing our production processes, purifying and recycling solvents and reducing our CO₂ emissions.

In order to ensure a common standpoint, our policy on the environment and climate impact states that we should always pursue responsible environmental practices in order to minimize our negative impact on the environment and climate. We focus our efforts on advancing environmentally friendly technologies, applying methods for waste reduction and recycling, optimizing use of raw materials and energy consumption, and taking preventive actions against contamination and pollution.

The policy ensures that we have a structured and systematic approach to reducing our environmental footprint. Our long-term goal is to reach a point where an increase in our production does not increase our environmental impact. We hope to succeed with this through recycling activities as well as an ongoing monitoring of our energy reduction. While the three facilities owned by Georg Jensen leave a moderate carbon footprint, we will, wherever possible, pursue the necessary steps to improve our energy efficiency across our value chain. So far, our approach has been centered on implementing procedures for ensuring safe manufacturing and reducing CO₂ emissions, while working to reduce the amount of waste and wastewater. These procedures also encompass strict guidelines for disposing and handling industrial and hazardous waste aligned with local regulations in this area.

To ensure that we uphold and comply with our policy and internally prescribed procedures, our three facilities are regularly subject to internal and external third party audits, specifically focusing on screening and monitoring our environmental performance. The audits also help us identify potential risks we need to mitigate as well as possible improvements that could minimize our environmental impact.

5.1 Energy efficiency

Working to reduce our environmental impact means working with energy efficiency and the costs and emissions resulting from energy consumption. Our strategy for energy efficiency is mainly centered around reduction and optimization.

OVERVIEW OF ENERGY CONSUMPTION (INDIRECT EMISSIONS, SCOPE 2)				
Data measurement	Country	2013	2014	2015
Electricity consumption, purchased (MWh)	Total	2,254	2,158	2,305
	Denmark	358	359	324
	Thailand	1,896	1,799	1,981
Heating, purchased (MWh)	Total	-	336	305
	Denmark	-	336	305
	Thailand	-	-	-
CO ₂ emissions (tons) ¹³	Total	1,081.457	1,048.202	1,138.329
	Denmark*	108,823	109,123	98,390
	Thailand**	972,627	939,078	1,039,938

* Carbon factor Miljødeklaration 2014, Energinet: <https://www.energinet.dk/DA/KLIMA-OG-MILJOE/Miljoedeklarationer/Sider/Til-groent-regnskab.aspx>

** Carbon factor DEFRA 2015: <http://www.ukconversionfactorscarbonsmart.co.uk/FlatFileFormats.aspx>

The data for the performance overview of our electricity consumption derive from our meter readings, which are recorded once a year. The calculation of our greenhouse gas emissions from the electrical power consumption is based on specific emission factors provided by the power company. For this report, we have calculated the total carbon emissions from our facilities in Hjørring, Copenhagen and Chiang Mai based on the energy providers' readings and CO₂ conversion factors.

From the data, it is clear that our electricity consumption has increased a little in 2015 compared with recent years. This is mainly due to increased production in our Chiang Mai facility.

5.2 Waste and wastewater management

We take responsibility for undertaking rigorous and precautionary activities for handling the harmful materials and substances that stem from our production. Therefore, we are committed to ensuring that all waste at our production facilities is disposed of in a safe and responsible manner. We sort waste into four categories according to its characteristics: recyclable waste,

¹³ We have chosen to report this data in tons instead of kg/MWh, which we have previously used. This is done to ensure that we can benchmark our environmental performance towards the performance of our peers.

industrial waste, hazardous waste and hazardous wastewater. Hazardous waste covers chemical components that require special care before disposal. Our hazardous chemicals are categorized by type:

HAZARDOUS CHEMICALS	2014	2015
Sulphuric acid (metric ton)	1.94	1.43
Nitric acid (metric ton)	0.58	1.14
Plaster (metric ton)	35.52	42.54

In 2015, our use of sulphuric acid was reduced by ~ 0.51 tons, while our consumption of nitric acid increased by ~ 0.56 tons at our Chiang Mai facility. Furthermore, we also saw a 20 percent increase in our consumption of plaster – from 35.52 metric tons to 42.54 metric tons. This is a result of increased production at our Chiang Mai facility in 2015.

OVERVIEW OF WASTE VOLUME*			
Data measurement	Country	2014	2015
Water (m3)	Total	10,983	14,666
	Denmark	1,537	2,218
	Thailand	9,446	12,448
Wastewater (m3)	Total	44,138	31,030
	Denmark	37,526	22,316
	Thailand	6,612.2	8,713.6 ¹⁴
Waste (kg)	Total	144,500	123,030
	Denmark	109,460	77,820
	Thailand	35,040	45,210 ¹⁵

*Waste volumes are calculated based on annual statements from approved waste carriers handling ordinary and hazardous waste.

In order to safely manage our waste, we have implemented a recycling and waste reduction program at our facility in Hjørring, which so far has shown great results. Furthermore, we have

¹⁴ At the Chiang Mai facility in Thailand the wastewater is used to water the facility's garden. The stated numbers are estimates (70% of the water consumption)

¹⁵ Excluding brass and copper scrap.

also reduced our production in Hjørring, which has resulted in a 29 percent reduction of the waste here.

We aim to limit our water and wastewater consumption. At the facility in Hjørring, this is done through initiatives such as the recirculation of our wash water, where we reuse the water and wastewater from our galvanization process. This process has in 2015 resulted in a reduction of 40 percent of our overall wastewater, as well as significantly limited the facility's waste. Similarly, we are committed to ensuring that wastewater from production is disposed of in an environmentally friendly and safe manner in order to minimize our environmental impact. As a result, we have implemented a wastewater treatment system, which separates wastewater into two categories: industrial wastewater and water used at our facilities by employees. An analysis of the wastewater treatment is conducted once a year, once again in 2015 showing acceptable results for both the facility in Chiang Mai and the facilities in Denmark. The findings from the analysis are used to structure our activities to ensure that we continue to improve our processes and overall performance. We do not recycle hazardous wastewater, which is handled by government-licensed operations to ensure that the appropriate precautionary measures are taken.

6. Anti-corruption

At times, we operate in countries, where the risk of corruption is perceived as high. According to Transparency International's Corruption Perceptions Index 2015¹⁶, which measures the perceived level of corruption among public officials, Georg Jensen has business activities in a number of countries, where the risk of corruption is perceived as high. Therefore, we are aware of the critical need for a clear anti-corruption policy that can support our business operations and foster an organizational culture that acknowledges the need for and insists on open dialogue, when it comes to ethical dilemmas and questions. We take a firm stance against corruption and unethical business behavior and consistently seek to apply the highest ethical standards across our value chain. We require all our employees, partners and suppliers to adhere to and comply with our standards for responsible business practices and our zero tolerance policy, which states our unyielding position against bribery, corruption and facilitation payments.

In order to manage the risk of corruption, we have in 2011 implemented the Georg Jensen Code of Conduct, which assists in guiding our employees and suppliers in their decision-making and daily activities. The Code of Conduct reflects our most essential policies and procedures addressing anti-corruption and how we can maintain a responsible approach to our business. Furthermore, the Code of Conduct is supported by a set of corporate and local guidelines, which state how to handle our interactions with suppliers and third parties.

Building on our Code of Conduct and our anti-corruption policy, we will in early 2016 also provide training to our employees on anti-corruption, anti-money laundering, terrorist financing and sanctions, who might through their job be highly exposed to these business risks. This in particular includes our global leaders and employees with responsibility for financial or commercial transactions, corresponding to approximately 100 persons.

Through a focus on enabling transparent and responsible business practices, our procurement policy also addresses our commitment to maintaining high ethical standards throughout our value chain. The procurement policy, our zero tolerance policy toward corruption, and the Georg Jensen Code of Conduct are all communicated to our local and overseas partners. Our belief is that having a clear position on anti-corruption will ensure better business practices and increase the level of understanding and trust among our many internal and external stakeholders.

¹⁶ Read more about Transparency International's Corruption Perceptions Index 2015 here: <http://www.transparency.org/cpi2015>

6.1 Monitoring compliance

To ensure that we uphold the highest ethical standards across our value chain, we systematically monitor compliance with our policies and the Georg Jensen Code of Conduct. This is done through our auditing and review system covering our own operations as well as our external partners' activities. The auditing system encompasses a systematic process for screening, monitoring and evaluating our operations as well as our partners. In this way we ensure that we continuously identify, target and mitigate the specific areas, where the risk of corruption is high.

We acknowledge and emphasize the need for anti-corruption due diligence in these areas, in order to safeguard our operations from unethical business practice. The due diligence process, for example, involves a review of the profitable and reputational damage, that might be caused by irresponsible and unethical behavior in Georg Jensen's value chain. With our core focus on ensuring timeless, high quality products through sustainable and responsible business practice, a single incident of unethical business conduct could risk our 'license to operate' and have tremendous impact on our brand.

We have therefore increased the number of audit reviews in the last year, with more third party audits, internal audits and quarterly visits to our external partners. In 2014, we conducted a self-assessment survey among our employees at our Chiang Mai facility in Thailand in order to assess the perceived risk of corruption. The result of the survey showed that the risk of corruption was perceived to be low. In order to increase awareness of corruption risks in our own operations, we will in the beginning of 2016 send out a mandatory eLearning course to a select number of employees, focusing on anti-money laundering, sanctions, terrorist financing, bribery, corruption and fraud. This will help ensure awareness of these critical issues and increasing our employees' knowledge of the risks and dilemmas related to corruption and how to act.

To provide our employees with a channel for voicing concerns related to ethical dilemmas, we implemented an internal whistle-blower function in 2013. The whistle-blower function gives employees the opportunity to anonymously report on observed breaches with laws and our internal policies. Furthermore, we encourage all employees, who might suspect that unethical behavior is occurring or has occurred, to report it immediately to their direct manager. In 2015, no such incidents have been reported at Georg Jensen.

7. Our people

Our employees are the key to our business success. Therefore, we focus our activities with regard to respecting human rights and labor rights towards our employees, upholding our responsibility to ensure a safe and healthy work environment for all. We promote and respect diversity and equal opportunities for all, protecting our employees' rights to collective bargaining, data security and privacy.

As of December 2015, Georg Jensen employed 215 people in the two Danish facilities, 814 people in the Chiang Mai factory in Thailand and 285 people in the Georg Jensen stores globally.

OVERVIEW OF EMPLOYEES			
	Denmark (management and production)	Thailand (management and production)	Georg Jensen Stores (Global)
Permanent male employees	95	392	75
Permanent female employees	106	288	210
Temporary employees	Interns	1	-
	Trainees	7	130
	Student workers	6	4
Total	215	814	285

In 2015, our employee turnover at our facility in Chiang Mai was 9.8 percent, which reflects that the facility is located in an area, where the opportunity for new job positions is high. In Denmark, our employee turnover was higher, reflecting the organizational changes that Georg Jensen has gone through in the last 3 years. We consider the employee turnover in Denmark a natural consequence of the fact that our organization has undergone a transformation with many structural changes in the recent years. We will going forward continue to address this issue internal, to create a good, healthy and safe work environment for our employees.

Case study: How do we build a sustainable work environment?

Our employees are a key asset to our company, as they hold indispensable knowledge about the Georg Jensen approach, designs, processes, culture and heritage. They are the components that make our business run. In recent years, we have experienced significant growth and expansion of the company, while at the same time focusing on building an efficient organizational structure. Our adjustments may have put pressure on our employees, particularly at our headquarters in Copenhagen, where we all, from time to time, have had to take two steps at a time to make ends meet. We believe this may have contributed to a higher employee turnover in 2015.

In 2015, we welcomed the opportunity to be part of a case study of how organizations can redesign themselves and their supply chain to ensure sustainability. The study found, among other things, that we might at times view sustainability primarily in terms of complying with laws and avoiding risks, therefore place less emphasis on the possibilities that sustainability offers the company.

We will in 2016 look to take the learnings onboard, in particular regarding the work environment for our employees and seek to ensure a better work-life balance, starting by mapping existing human resource practices and initiatives. In doing so, we aim to uphold our commitment to be a responsible employer and an inclusive, attractive workplace.

Working to ensure a safe and healthy working environment at the Chiang Mai facility, we have implemented a number of initiatives to develop and support our employees. One of the initiatives focuses on our employees' freedom of association, providing employees with a designated dialogue platform for communication with the facility's management. The dialogue is enabled through a Social Welfare Committee at Chiang Mai, which functions as a channel for voicing concerns related to working conditions. The Social Welfare Committee meets every three months and consists of 20 representatives from the production and five representatives from the management team.

Through our Chiang Mai Kids Care Center, we provide our employees the opportunity to bring their small children to the facility and have them tended, while the parents work. We also launched a blood donation scheme, where employees at work can donate blood and consequently contribute to the local community. We furthermore provide our employees at the Chiang Mai facility with annual health checks.



They include individual guidance on how to improve one's health as well as information on overall health and precautionary measures. These health checks are critical initiatives in

diagnosing and monitoring any serious illnesses, such as HIV/AIDS, conditions that sadly are, to some degree, present in the region of Chiang Mai. Through these initiatives, we seek to ensure all our employees' health and well-being.

Our different initiatives at Chiang Mai to ensure a good work environment



7.1 Handling our employee data in a responsible manner

Our employees entrust us with private, sensitive data and we feel a great commitment to ensuring that these confidential data are kept safe and secure. We have a clear policy on how we handle employees' data as well as a set of initiatives to ensure that we implement the policy in our daily operations. For example, in relation to our human resource recruitment process, we require that all candidates for a job position demonstrate that they have no criminal records. However, after we have seen the appropriate documentation, these documents are always destroyed. As part of the recruitment process, we also ask candidates to take a personality test, which we keep in our files for a maximum of three months. All job applications and resumes are kept electronically for 12 months according to the regulations stated by the Danish Data Protection Agency. All employee records are physically kept locked up in archives in restricted areas of our offices.

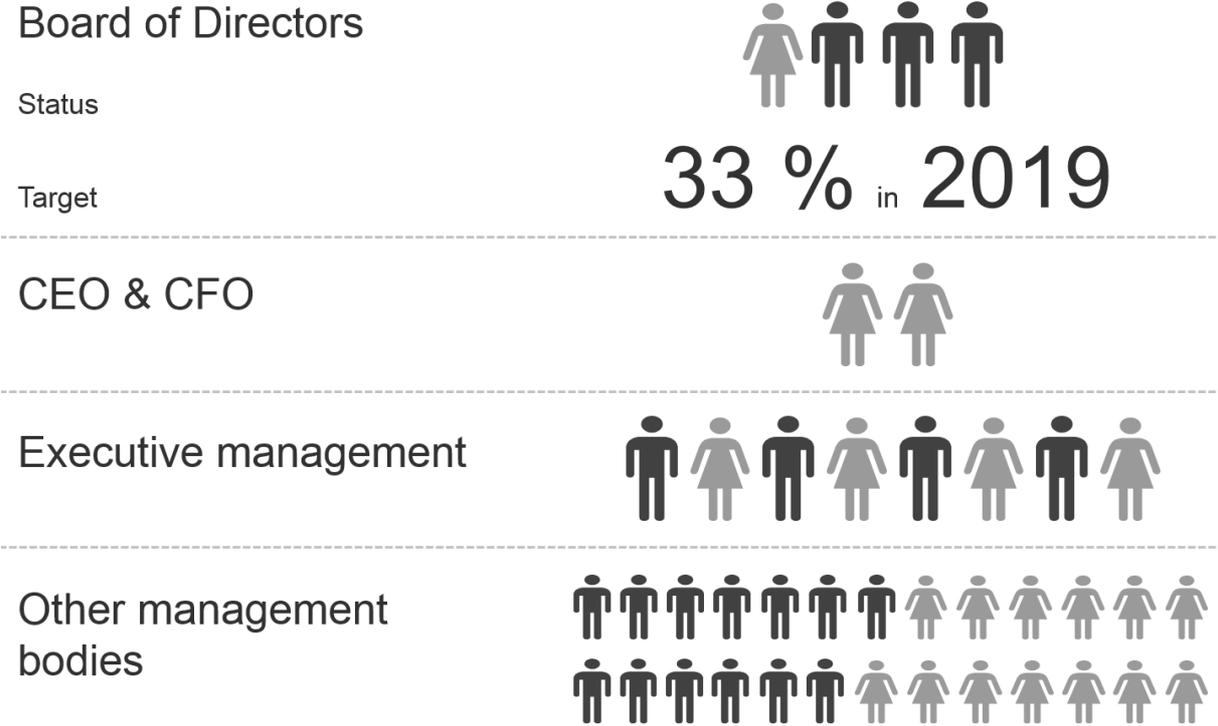
7.2 Diversity

This section covers our statutory reporting on the underrepresented gender at the Board of Directors and top management levels according to the Danish Financial Statements Act §99b.

At Georg Jensen, we believe that the best foundation for growth, innovation and sustainability comes from a diverse workforce. Therefore, we are working to ensure a balanced gender representation at all levels of our organization – from our Board of Directors to executive management and through to our managers and team leaders.

With a Board consisting of four shareholder-elected members, one female and three male, we have therefore adjusted our target from 40 percent to 33.3 percent for the underrepresented gender, and we aim to reach this balance by 2019.

The Executive Management team of eight members comprises a 50/50 gender balance. The CEO and CFO of Georg Jensen are both female. The next management level is also balanced with 13 male and 13 female employees, and we continually aim to balance the representation of both genders on all management levels. Global initiatives are under development with the aim of mapping our talent and developing our employees through mentoring programs. In this way we proactively develop our internal talent pool of both genders towards future leadership and supervisory positions at Georg Jensen. We will in the coming year continue to work towards an equal gender representation on all organizational levels by 2019.



Overview of the gender presentation at Georg Jensen's Board of Directors and executive management in 2015

8. UN Global Compact compliance overview

UN Global Compact Principles		Section
Human Rights	<i>Principle 1:</i> Businesses should support and respect the protection of internationally proclaimed human rights.	'Manufacturing partners', 'Our People'
	<i>Principle 2:</i> Make sure that they are not complicit in human rights abuses.	'Manufacturing partners', 'Our People'
Labor Rights	<i>Principle 3:</i> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	'Own production'
	<i>Principle 4:</i> The elimination of all forms of forced and compulsory labor.	'Own production'
	<i>Principle 5:</i> The effective abolition of child labor.	'Own production'
	<i>Principle 6:</i> The elimination of discrimination in respect of employment and occupation.	'Our People', 'Diversity'
Environment	<i>Principle 7:</i> Businesses should support a precautionary approach to environmental challenges.	'Our environmental impact'
	<i>Principle 8:</i> Undertake initiatives to promote greater environmental responsibility.	'Our environmental impact'
	<i>Principle 9:</i> Encourage the development and diffusion of environmentally friendly technologies.	'Our environmental impact'
Anti-corruption	<i>Principle 10:</i> Businesses should work against corruption in all its forms, including extortion and bribery.	'Anti-corruption'